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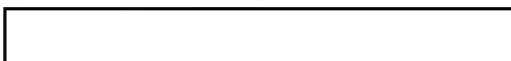


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The United States Intelligence Board has approved the establishment of a National Intelligence Bulletin that will replace the Central Intelligence Bulletin. The first issue of the new publication will appear on May 29, 1974. The National Intelligence Bulletin will be produced by the Director of Central Intelligence in collaboration with member agencies of the United States Intelligence Board. Insofar as possible, the National Intelligence Bulletin, like the CIB, will present fully coordinated information and judgments, but it will provide a greater opportunity for the participating agencies to express differing or dissenting views. The National Intelligence Bulletin will be addressed to all those who have received the CIB.

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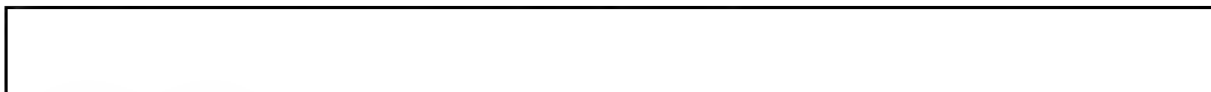
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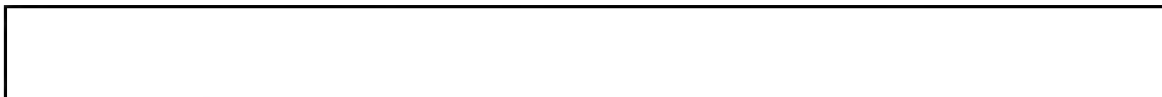
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LAOS: The Lao Communists have proposed a comprehensive national political program for the new coalition government. The program, recently outlined in a speech before the coalition's Joint National Political Council by its chairman, Prince Souphanouvong, constitutes the most significant and wide-ranging Communist policy statement since publication of the Pathet Lao's "12 Points" in November 1968 and their "6 Points" of March 1970.

Souphanouvong's highly nationalistic presentation indicates that the Communists will push hard to amend the Lao constitution and the nation's electoral laws to better reflect their view of current political realities. The Communist leaders focused considerable attention on the economic, social, and cultural development of Laos, emphasizing the need for self-reliance and self-sufficiency. At the same time, however, Souphanouvong made it clear that foreign economic assistance--"with no political strings attached"--would be welcome. The US was singled out as having special responsibility for "healing the wounds of war in Laos."

In the foreign affairs arena, Souphanouvong's program emphasized the strict neutrality of Laos, and indicated that the country would not take part in or be under the security umbrella of any military pact or alliance. He called for the normalization of relations with all countries regardless of their social or political systems, with top priority going to neighboring Indochinese states.

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In his original presentation, Souphanouvong articulated some of the targets that the Communists will doubtless be zeroing in on during the coming months:

- US aerial reconnaissance activities;
- US military assistance to the non-Communist side of the coalition;
- alleged US support to the so-called "ultra-rightist faction";
- alleged US use of military advisers disguised as civilians; and
- US troops and bases in Thailand.

Buoyed by their recent successful efforts to prevent the opening of the rightist-dominated National Assembly, the Pathet Lao have again seized the political initiative--this time on issues of substance. Unless the non-Communist side can pull itself together, the Communists will have established a pattern of leadership that the rightists and neutralists will have great difficulty challenging and behind which the country will gradually fall into line.

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FRANCE: Jacques Chirac, the 41-year-old former interior and agriculture minister under president Pompidou, has been named prime minister by newly installed President Valery Giscard d'Estaing.

Chirac's appointment will help to promote the image of youth and change that Giscard intends to give his administration. Although Chirac is a Gaullist, his party credentials became badly tarnished when he threw his support behind Giscard against the Gaullist candidate in the first round of the elections. He may find it difficult to rally support for Giscard's reform programs among old-line Gaullists who still dominate the National Assembly.

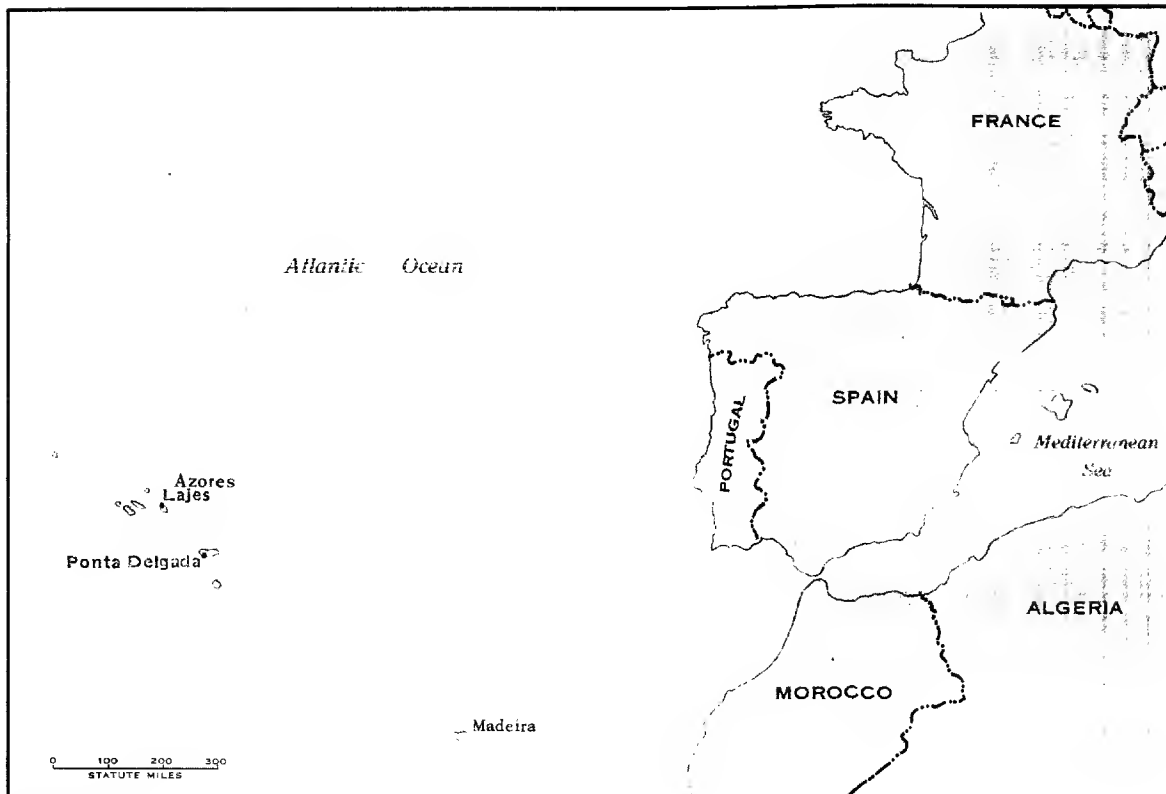
The remainder of Giscard's cabinet will be named today. It is expected to be a young, activist cabinet that will push hard in the next few months to implement Giscard's campaign promises. Elements of the political left and major French labor unions have indicated that they could become troublesome if the new government does not make progress in the area of social reform by next fall.

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PORTUGAL: A budding independence movement in the Azores may complicate negotiations for the renewal of US base facilities in the islands.

The US consulate in Ponta Delgada has learned that a manifesto demanding self-determination will be published soon. Members of the independence movement are frustrated by Lisbon's long-standing neglect of the Azores and believe that the new Portuguese government, which is preoccupied with other problems, will not improve their situation.

A leader of the movement has approached the US consulate for financial assistance. He predicted that one of the ways the Azores' economy would be sustained after independence would be by rents from the US airbase at Lajes.

The US-Portuguese agreement that governs use of the Lajes facilities expired last February, but it has an automatic extension clause which continues the agreement until August. The main obstacle to earlier successful conclusion of negotiations--the embargo on the use of US arms in Africa--has been overtaken by the provisional government's policy of granting self-determination to its African territories. Lisbon does not intend to give up the Azores, however, and a vigorous drive for independence on the part of the islanders could create instability and present new obstacles for a continued US presence at Lajes.

The Azores are located 800 miles west of Portugal in an ideal position to monitor major shipping lanes serving Africa and North and South America. The islands are also a strategic communications link between Europe and the Western Hemisphere and provide a connection point for 15 transatlantic cables.

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USSR-SYRIA: Soviet Foreign Minister Andrei Gromyko arrived in Damascus late yesterday for consultations with Syrian leaders on the disengagement negotiations. Gromyko's visit is further evidence that Moscow wants to be kept up to date on the progress of the talks. The Soviets hope to promote the image of being involved, especially in view of their total exclusion from the Egyptian-Israeli disengagement negotiations.

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ISRAEL-SYRIA: The Syrians and Israelis continued to exchange tank, mortar, and artillery fire over the past three days. The activity was heaviest on Sunday, when artillery fire was noted in all sectors of the front. A Lebanese Defense Ministry spokesman claimed Israeli and Lebanese forces exchanged artillery fire as Israeli patrols attempted to take up positions on the western slopes of Mount Hermon. The Israelis acknowledged the shelling but claimed it was directed against guerrilla bases in Lebanon.

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IRAN-EGYPT-SYRIA: Iran reportedly has agreed in principle to provide some \$870 million in developmental credits to Egypt and, by the terms of a separate and much less significant agreement, \$150 million to Syria. Although the deals, completed this past weekend, are far from final, they presumably are intended to improve Iran's relations with Cairo, lead to closer ties with Damascus, and enhance the Shah's expanding role in regional affairs.

The protocol signed with Cairo on May 25 calls for credits to be provided for building new fertilizer plants, improving existing Egyptian factories, widening the Suez Canal, constructing the SUMED pipeline, establishing a development bank, and expanding trade. This would almost double the total amount of official economic aid extended to Cairo from all sources since the October war. In return for this aid, the Shah will receive, among other things, trade and industrial outlets, including port facilities on Egypt's Mediterranean coast. In addition to enhancing markets for future sales to Mediterranean countries, Iran will also sell Egypt 1,000 Iranian-built buses and other goods under credit.

The Syrian deal calls for technical aid and construction of meat and fertilizer facilities. These arrangements will be subject to further study in July when the two sides meet in Damascus.

The agreement with Cairo is a major step in the Shah's plan to establish Iran as a leading power in the region. To a lesser extent, the two agreements reflect the Shah's desire to establish greater security for his expanding seaborne exports which currently emphasize oil but are expected to include copper and other products in the near future.

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VENEZUELA: President Perez is apparently taking steps privately to moderate the tone of his recent public announcements on nationalizing the oil and iron ore industries.

Spokesmen for Perez and his party have intimated to the US ambassador that, while the President meant what he said about taking over both industries, the nationalistic ring of his statements was primarily intended for domestic consumption. Perez is said to be aware of Venezuela's "obligation" to remain a reliable supplier of strategic materials to the US.

The government appears to be fully aware of its dependence on US petroleum technology and the US market. Venezuelan oil has flowed increasingly to the relatively close US and Canadian ports in recent years, and decreasingly to Europe. The US and Canada currently receive about 70 percent of Venezuela's oil exports. Major US oil companies are essential to the distribution of this oil because Venezuela has virtually no marketing capability.

For this reason, as well as because of an emerging sense of caution within the Venezuelan congress, Perez will probably approach nationalization with care. The take-over of the iron ore industry is likely to come first--probably before the end of this year--and the process of negotiating that nationalization will probably serve as a guide for the take-over of oil.

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EAST GERMANY: Pankow is striving to repair its relations with Bonn in the aftermath of the Guillaume affair and the resignation of Chancellor Brandt. Party boss Honecker has publicly stressed his regime's continued commitment to detente and has sought to project a conciliatory posture on a number of lesser issues.

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East German leaders probably have mixed feelings about the downfall of Brandt. While they were concerned over the potentially destabilizing effects of his popularity with the East German population, they eventually found that they could take advantage of his policies to help Pankow achieve its long elusive goal of international legitimacy. They apparently believe Helmut Schmidt will be a much tougher man to negotiate with. On the other hand, Schmidt is likely to prove less attractive to the East German populace.

Despite its impact on Brandt, the Guillaume affair did not delay the scheduled opening of the permanent missions of the two states in Bonn and East Berlin, but the accreditation of the permanent representatives and the missions has been delayed. Talks on such matters as posts and telecommunications accords have continued, but negotiations on a judicial assistance agreement were postponed from May 6 to May 22.

Pankow quickly reacted to Schmidt's statement in the Bundestag that, despite their strained relations, the treaty structure between East and West Germany should be further developed. The East German news agency said Pankow agrees with Schmidt and is prepared to consider broadening economic relations, modifying currency exchange requirements for visitors to the GDR, and cooperating on an energy system to include West Berlin.

Despite this conciliatory public posture, the East Germans will continue to be hard bargainers.

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ITALY: The outcome of government-labor negotiations and an upcoming regional election may clarify power relationships among Italy's major parties in the aftermath of the unexpected result of the divorce referendum.

The lopsided vote--59 percent of the electorate voted for divorce--is being offered as evidence by some politicians that the populace has moved away from conservatism over the years to a more "progressive" orientation. This has provided the Socialists, who campaigned for divorce, with a rationale for increasing pressure within the coalition for action on social and economic reforms. They are dropping hints that a Christian Democratic failure to heed these demands could provoke a Socialist-Communist alignment on the French model.

The Christian Democrats, who opposed divorce, have not yet turned on their leader, Amintore Fanfani, who dragged the party into the referendum over the misgivings of other senior Christian Democrats. Party left-wingers have attacked him, but debate has centered on a re-examination of the party's policy in light of the referendum results.

The Communists have so far ignored Socialist hints about a leftist front. In a conciliatory tone, they have renewed their campaign for an "historic compromise" that would lead to participation in the government with the Christian Democrats. Communist boss Enrico Berlinguer was the most active campaigner for divorce and, therefore, the single biggest winner in the referendum. He is being careful, however, not to gloat over the victory because this would probably cause the Christian Democrats to close ranks. Instead, Berlinguer cites the referendum as proof that the Christian Democrats need the Communists in the coalition in order to form a majority that can respond to the mood in favor of change evident in the divorce vote.

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Most of these themes are emerging in negotiations under way between the government and organized labor. The Socialists are vigorously supporting labor's argument that the workers are being forced to bear the main burden of economic recovery measures. The unions are demanding legislation to create new jobs and improve worker benefits. The Communist-dominated union, meanwhile, is arguing that the workers would make sacrifices more willingly if the Communist Party received at least a limited role in the government.

All parties are looking to the June 16-17 regional election in Sardinia to provide a clue as to whether the divorce vote has, in fact, altered the political balance. Such elections are usually fought on local issues but are later portrayed as indicative of national trends. The Christian Democrats, in particular, will postpone a thorough assessment of their position until after the election.

ICELAND: The conservative Independence Party captured more than 50 percent of the votes in Iceland's municipal and local elections on May 26. The Communist People's Alliance also increased its representation, thus extending to Iceland the political polarization that has characterized recent elections in other Scandinavian countries. Parties of the center fared badly in the election, which was billed as a preview of the special national elections scheduled for June 30. If voters repeat their preferences next month, the Independence Party will probably emerge as the head of a right-center coalition, sympathetic to continuing the bilateral arrangement with US forces at the NATO base at Keflavik.

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LUXEMBOURG: The general elections of May 26 have handed the conservative Christian Socialists a setback and opened the way for a possible left-of-center coalition government.

The Christian Socialist Party remains the largest party in the 59-seat Chamber of Deputies, but by only one seat. Gains were made by its junior coalition partner, the center-left Democratic Party, and, most notably, by the leftist Socialist Workers' Party, now the second largest party in Luxembourg. The Christian Socialists have dominated the country's politics since the end of World War I.

No party will have a majority in the new Chamber. Although a coalition of the two major parties is a possibility, it is not likely, given the ideological differences separating the conservative Christian Socialists and the leftist Socialist Workers. The Democratic Party, headed by Foreign Minister Gaston Thorn, holds the key to the composition of the next government. The Democrats could opt to continue the present coalition with the Christian Socialists, but the upsurge of the Socialist Workers' Party has opened the door to a left-of-center coalition which might be more to their liking. Thorn has already interpreted the election results as a call for reform and he might be persuaded to join a coalition with the Socialists in return for the premiership. Negotiations are expected to take several weeks.

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USSR-Algeria: Soviet Defense Minister Grechko arrived in Algiers on May 27 for a four-day, official visit. The USSR is Algeria's major arms supplier, but the military aid program has been lagging recently. Grechko may well try to revitalize the program as a means of demonstrating continuing Soviet interest in the area. [REDACTED]

India: Leaders of the railway workers' union announced yesterday that their strike against the government-run railroads, which began on May 8, will end today. The strong measures taken by Prime Minister Gandhi's government prevented the strike from ever becoming fully effective. The union's action is tacit acceptance of its defeat. [REDACTED]

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